

# Group-Wide Structural Reform

## 1. Structural Reform of SMBC Group

Since its launch in April 2001 from the merger of The Sakura Bank, Limited and The Sumitomo Bank, Limited, Sumitomo Mitsui Banking Corporation (SMBC) has moved steadily forward with strengthening its foundations as a new banking institution. SMBC has accomplished this task largely through IT systems integration and other vital business consolidations, the swift realization of merger benefits, and by accelerating the pace of ongoing business reforms. This has allowed SMBC to successfully conclude what we refer to as the “first stage” of post-merger management.

As the Bank enters the “second stage,” it will continue to enact the business reforms required to greatly enhance the profitability of its commercial banking operations. At the same time, SMBC will draw out and maximize the potential of its group companies in order to realize the structural reforms that will raise the quality of the SMBC Group’s products, services and financial base. In this way, we hope to take a decisive leap forward in the development of a new financial services complex for the 21st century.

### (1) Optimal Group Structure

The first vital step in realizing structural reform of the SMBC Group is the optimization of the Group’s corporate structure. Recognizing the holding company system as the solution best suited to achieving this goal, we promptly moved to establish the Sumitomo Mitsui Financial Group (SMFG), Inc.; thus unifying the banking strengths of SMBC with the diverse businesses of other companies. This holding company structure allows for better planning and execution of SMFG strategies, as well

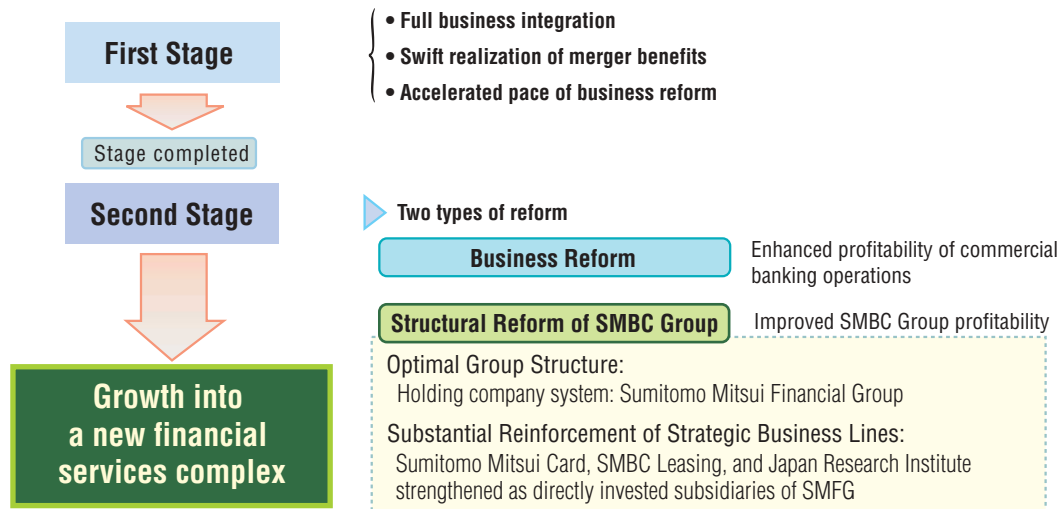
as improved governance of Group companies. We believe that establishment of such a solid platform for further development will broaden our available options in terms of future business strategies. Simultaneously, the holding company structure will deliver substantial benefits in the areas of optimum management resource allocation, organizational flexibility and expandability, and risk control.

### (2) Substantial Reinforcement of Strategic Business Lines

To improve overall profitability and our financial base, we continue to work to boost the effectiveness of Group companies. In regard to wholly owned subsidiaries Sumitomo Mitsui Card Company, Limited; SMBC Leasing Company, Limited; and The Japan Research Institute, Limited, SMFG will clarify the responsibilities and improve the autonomy of each within Group strategies. While optimizing the merits of their presence within the Sumitomo Mitsui Financial Group, SMBC and the other Group companies will pursue operational synergies, take full advantage of management resources on a Group basis and actively expand their businesses, leading to improved profitability all around. Moreover, we will continue to deepen SMFG’s ties with Daiwa Securities SMBC Co. Ltd. and Daiwa SB Investments Ltd. to bolster the capabilities of the Group as a whole.

Through these and other measures, SMFG will make every effort to provide comprehensive financial services that satisfy customers’ increasingly diverse and sophisticated needs.

## Post-Merger Management

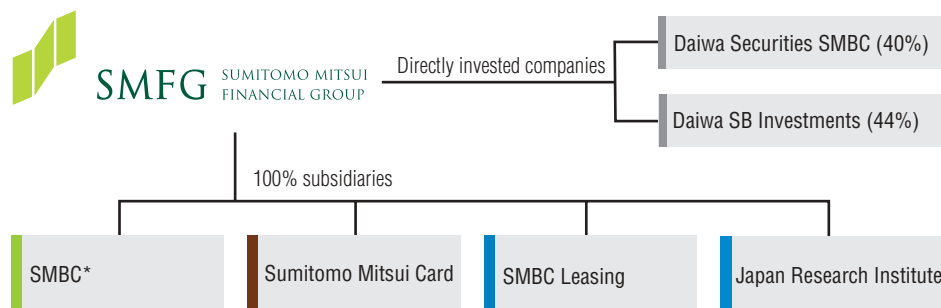


## 2. The Formation of SMFG

Sumitomo Mitsui Financial Group (SMFG), Inc. was established through the transfer of shares as a holding company on December 2, 2002, under which Sumitomo Mitsui Banking Corporation (SMBC) became a wholly owned subsidiary. Additionally, in February 2003,

Sumitomo Mitsui Card, SMBC Leasing, and Japan Research Institute became wholly owned subsidiaries of SMFG. Equity stakes in two other subsidiaries formerly held by SMBC, namely Daiwa Securities SMBC and Daiwa SB Investments, were also transferred to SMFG.

### Shareholding by SMFG as of March 2003 (tentative)



\*SMBC is scheduled to merge with WAKASHIO BANK on March 17, 2003. (WAKASHIO BANK—a wholly owned subsidiary of SMBC as of December 2002—became a wholly owned subsidiary of SMFG in January 2003.)

## 3. SMFG Structure and Organization

With the Sumitomo Mitsui Financial Group, Inc. as the pivotal core, we are committed to realizing logical, integrated Group management by aggressively addressing corporate governance, decision-making processes, management resource allocation, managerial accounting systems, human resources (HR), and compensation functions.

In terms of corporate governance, SMFG's Board of Directors has established committees responsible for risk management, compensation, and personnel advancement

as vital parts of a comprehensive system for supervising overall operations throughout the Group.

With a full range of measures for handling the Group's strategic planning and management, resource allocation, finance management, IR, IT systems strategy, HR management for Group executives, risk management, and business auditing, SMFG is working to realize more effective and efficient Group management.

### SMFG Structure and Organization

